

General Information Letter: Individual net operating loss deductions  
are not adjusted.

January 5, 1999

Dear:

This is in response to your letter dated December 9, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter (GIL) which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c).

In your letter you have stated the following:

FACTS:

Individual files 1997 form 1040 having Adjusted Gross Income ("AGI") of \$100.

On Line 21 of 1997 form 1040 TP reports \$(25). This amount represents a Net Operating Loss ("NOL") carryover from 1996.

\$(25) NOL reported on Line 21 of form 1040 is comprised of \$(15) above AGI and \$(10) below AGI. The \$(10) below AGI represents deductible itemized deductions.

Individual reports \$100 as AGI on 1997 form IL-1040.

Individual does not report an addition or subtraction related to the NOL reported on line 21 of form 1040.

ISSUE:

Since Illinois starts with the Federal AGI should the TP increase taxable income by the \$10 related to the part of the NOL generated by itemized deductions?

**RULING**

The Illinois Income Tax Act ("the IITA"; 35 ILCS 5/101 et seq.) defines an individual's Illinois net income as that portion of his "base income" allocable to Illinois (IITA §202). Section 203(a) of the IITA defines base income to equal the individual's "adjusted gross income," as modified by certain addition and subtraction provisions. IITA section 203(e) states that a taxpayer's adjusted gross income shall mean the amount of adjusted gross income properly reportable for federal income tax purposes under the provisions of the Internal Revenue Code ("IRC").

The IITA does not contain an addition provision relating to a net operating loss deduction as defined under IRC section 172. Thus, a taxpayer does not increase base income by that part of a net operating loss deduction attributable to itemized deductions to the extent that the net operating loss deduction reduces federal AGI.

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please

submit all of the information set out in items one through eight of 86 Ill. Adm. Code 1200.110(b).

Sincerely,

Brian L. Stocker  
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